



## DEPARTMENT OF CHILDREN AND FAMILIES

### OFFICE OF INSPECTOR GENERAL

*Enhancing Public Trust in Government*



George H. Sheldon  
Secretary

Sheryl G. Steckler  
Inspector General

#A-0910DCF-025

February 10, 2010

***Audit Report***  
***Big Bend Community Based Care, Inc. – Client Trust Funds***  
***Expenditure Plans Would Help To Better Manage Client Trust Funds and***  
***Improved Expenditure Documentation is Needed***

### **SUMMARY**

Client trust funds are created and maintained for the purpose of managing money or other personal property received by the Department for personal use or benefit of clients. Client trust funds that are administered by providers are subject to all of the same rules and regulations followed by the Department. Clients' funds may include trust income, parent contributions, other third-party contributions, social security benefits, insurance benefits, or earnings of the client. Children in our care generally qualify for Supplemental Security Income (SSI) benefits due to disabilities and limited resources. The benefits provide cash to meet their needs.

We found that generally, internal controls at Big Bend Community Based Care, Inc. (BBCBC) were adequate to manage and administer client trust funds; however, improvement could be achieved in two areas. BBCBC did not prepare expenditure plans and consequently, returned Supplemental Security Income (SSI) benefits intended for meeting client needs to the Social Security Administration (SSA). As a result, clients lost benefits. It is likely that if expenditure plans had been prepared, properly monitored and updated as required, approximately \$20,227 would have been available to meet clients' needs. Additionally, client trust fund case files did not always contain required supporting expenditure documentation. The lack of receipts for disbursements of client trust funds lessens the assurance that SSI benefits were spent appropriately.

### **SCOPE AND OBJECTIVES**

This audit was initiated as part of our annual audit plan. The objectives of our audit were to assess internal controls associated with client trust funds and determine the extent certain Department procedures, state laws, and federal guidelines were followed in managing client trust funds for the period July 2008 through June 2009.

In accordance with Section 20.055, Florida Statutes (FS), the Office of Inspector General was established in each state agency to provide a central point for the coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government. The Office of Inspector General is authorized to conduct

financial, compliance, information technology and performance audits of the agency and to prepare audit reports of the findings.

## **METHODOLOGY**

To determine the extent of compliance, we reviewed 13 randomly selected client trust funds managed by BBCBC. In addition, we collected information through review of Department procedures and state laws, Social Security Administration guidelines, and discussions with staff from the Office of Financial Management, the Social Security Administration, Family Safety, and BBCBC. We also reviewed BBCBC's Detailed Transaction Reports, cancelled checks and other bank documentation, general ledgers, and ad hoc Integrated Child Welfare Services Information Systems (ICWSIS) payment history reports.

## **BACKGROUND**

The Department contracts with BBCBC as a lead agency in Circuits 2 and 14 of the Northwest Region. BBCBC coordinates, integrates, and manages a system of supports and a comprehensive array of foster care and related services for eligible clients. Chapter 402, FS, authorizes the Department to accept and administer in trust, in accordance with fiduciary standards while protecting the state's financial interest, any money or other property received for the personal use or benefit of clients. Resources such as SSI and other third party contributions comprise client trust funds.

BBCBC is subject to all of the same rules and regulations followed by the Department and must provide to SSA an accounting of its use of benefits and savings when requested.

Generally, children who meet Social Security's definition of disability, and whose income and resources fall within eligibility limits, are eligible to receive monthly SSI federal benefits. When clients are unable to manage funds, the SSA approves and appoints a representative payee to manage benefits paid to clients. To meet this obligation in Circuits 2 and 14, BBCBC serves as the (organizational) representative payee and acts on behalf of clients as the receiver of SSI benefits to ensure that benefit payments are used first for basic needs and then to provide a more stable living environment. The representative payee maintains clients' SSI and other funds in a "Current Needs" and/or "Dedicated" accounts or an Investment account.

Funds disbursed used to meet the clients' current needs include costs for residential care (maintenance fees or room and board). These costs are based on minimum rates set by the Legislature or enhanced rates agreed upon with foster parents or agreements with a residential facility. SSI funds received on behalf of clients are assessed a "maintenance fee," which essentially recoups all or a portion of the clients' cost of care and should be returned to the Department within 30 days of receipt. Remaining funds should be used for the benefit of the client and may be disbursed for, but not limited to, clothing, recreation, transportation, personal items, home furnishings, therapeutic equipment, certain living and medical expenditures and other miscellaneous items.

As a general rule, clients' maintenance costs may not be recovered from "Dedicated" account funds once these funds have been deposited. Deposits into the "Dedicated" account should be those specific lump sum payments received from the SSA. These

funds do not count toward the client's resource limit. They will be available to the client upon leaving the care of the Department or upon meeting other criteria defined by the trust document unless written instructions from the SSA state otherwise.

The number of client trust funds and the dollar value fluctuate throughout the fiscal year. As of June 30, 2009, the Department and CBCs managed client trust fund accounts for 2,701 clients.<sup>1</sup> The "Current Needs" account balances totaled approximately \$2.77 million. An additional \$619,558 was maintained in "Dedicated" accounts and \$1.1 million invested in the State Treasury. Of the 2,701 clients, BBCBC managed accounts for 76 with a "Current Needs" account balance of about \$71,129 – the "Dedicated" account balance was approximately \$18,721.<sup>2</sup>

## **FINDINGS AND RECOMMENDATIONS**

### ***Finding 1: Failure to develop Expenditure Plans resulted in the return of client benefits payments to the Social Security Administration.***

The SSA pays SSI monthly benefits to children who meet its definition for disability and who have limited income and resources. In order to qualify to receive SSI, or continue to receive benefit payments, a beneficiary's countable resources must be less than \$2,000, unless otherwise approved. To provide the beneficiary with a more stable living environment, SSI benefit payments must be used for the beneficiary's basic needs first - current maintenance needs for food, housing, clothing, and medical and dental care not covered by Medicaid or provided by a residential institution. Once a beneficiary's basic needs are met, benefits may be used for personal comfort items, recreation and miscellaneous expenses. The remaining benefits must be saved for the specific beneficiary's future use.

Children and Families Operating Procedure (CFOP) 175-59 requires case managers to keep track of client trust fund balance(s) and complete, execute, and update a trust fund expenditure plan to ensure that the client's trust fund balance will not exceed the \$2,000 SSI asset limit. Exceeding the asset limit jeopardizes client ongoing eligibility for SSI benefits, typically results in SSA requesting community-based care agencies to return benefits and may adversely impact meeting the client's needs. To get the SSA perspective on the \$2,000 resource limit, we contacted SSA and presented a scenario in which a client had an \$1,800 balance and then received a \$674 SSI benefit payment. The SSA representative responded 'I would be concerned about a client with an \$1,800 balance - this is a welfare program...'

Our review of BBCBC's Detail Transaction Report and cancelled checks revealed that during the audit period BBCBC had written over 150 checks to SSA to return SSI benefit payments. Over \$139,000 in checks payable to SSA cleared the bank during the audit period. We noted a number of the payments appeared to have been returned to SSA because the clients' account balance exceeded \$2,000. BBCBC accounting staff determined these return payments at about \$20,227. If an SSI payment causes the client's balance to exceed \$2,000, the entire payment must be returned. Client trust fund case file documentation included SSA correspondence that required the return of benefit payments because their review of funds paid to the beneficiary revealed that the

<sup>1</sup> Client trust funds are returned to SSA when the client is no longer in the care and custody of the Department.

<sup>2</sup> The number of clients for whom the Department and CBCs managed client trust funds and the dollar values include unreconciled amounts from one CBC.

value of resources, which includes money in bank accounts, was more than the SSI limit, resulting in an overpayment. The return of these benefit payments reduces the resources that could be used to positively impact on the quality of the client's life.

In our review of client trust fund case files, we found that expenditure plans were not prepared. The BBCBC accounting supervisor and intake director attribute the lack of expenditure plans to subcontractor personnel failing to devote time to prepare expenditure plans as required by Department procedures. However, since BBCBC management has become aware of the lack of expenditure plans they have developed new policies and procedures.

To ensure that all client SSI benefit payments are used for client needs and that countable trust fund balance(s) do not exceed the SSI income asset limit of \$2,000, we recommend that BBCBC require that its case management organizations prepare, monitor, and update expenditure plans as stated in Department operating procedures.

### ***Finding 2: Client Trust Fund Records Lacked Required Documentation***

DCF Accounting Procedures Manual (Volume 7, Chapter 6) requires client trust fund documentation to be no less than that which would be necessary to process a payment through the State of Florida Chief Financial Officer's Office. In addition, procedures require that original receipts for items purchased on behalf of a client be attached to the original withdrawal authorization form and filed with client trust fund records. We reviewed 13 individual client trust fund client files that represented 28 purchase transactions and discovered nine that did not meet purchase documentation requirements. We found that original receipts were not always present. Instead, some client records included copies of receipts, copies of ads for online/catalog purchases or no receipts at all. We also noted that in some instances, the authorization to withdraw funds was dated after the purchase date. In addition, some airline trips were supported by reservation confirmations instead of documentation that would confirm that the trip was made.

Original receipts increase accountability for purchases made on behalf of clients. The accounting supervisor and intake director report that documentation could be improved through better BBCBC oversight.

To increase accountability for purchases made on behalf of clients, we recommend original receipts or invoices be included with all client purchases. In addition, withdrawal requests should occur prior to purchases. When receipts cannot be obtained, additional procedures should be considered to increase assurance that transactions are appropriate.

## **MANAGEMENT'S RESPONSE**

In accordance with s. 20.055(5)(d), F.S., Management's response to the preliminary and tentative audit findings is included as Attachment I to this report.

## **OFFICE OF INSPECTOR GENERAL'S COMMENTS TO MANAGEMENT'S RESPONSE**

The Office of Inspector General in response to Big Bend's management's response to our preliminary report has provided comments to clarify apparent misinterpretations of our report's contents. The comments are included as Attachment II to this report.

This project was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. This report is available on our website:

[http://www.dcf.state.fl.us/admin/ig/pubs\\_ia.shtml](http://www.dcf.state.fl.us/admin/ig/pubs_ia.shtml)

In compliance with s. 20.055(5)(e), a copy of this preliminary and tentative report was provided to the Community-Based Care Lead Agency. Project conducted by Elton Jones and Lyndon Rodgers, under the supervision of Jerry Chesnutt, Director of Auditing (850) 488-8722.

**ATTACHMENT I**  
**Big Bend Community Based Care, Inc.**  
**Response**

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Date: January 7, 2010

To: Jerry Chesnutt, Director of Auditing  
Department of Children and Families

From: Mike Watkins, Chief Executive Officer  
Big Bend Community Based Care

Re: Response to Client Trust Fund Drafted Audit Report

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Big Bend Community Based Care appreciates the on-going partnership with the Department of Children and Families in administering the responsibilities of representative payee for client trust funds. We take this responsibility seriously and employ sound internal control processes. It is important to note the report is based on a sample size of 13 client trust files with no mention of the total number of client trust files that Big Bend was representative payee nor the total amount of client funds processed by Big Bend during the review period.

**Finding 1: Failure to develop Expenditure Plans resulted in the return of client benefits payment to the Social Security Administration.**

Big Bend has an obligation to return funds back to SSA when a client is no longer in our custody or the client trust fund reaches \$2,000. It is unclear in the report how much of the \$20,227 was associated with clients no longer in custody.

We have updated our policy and procedure to ensure that each master trust account will have an expenditure plan. Those plans will be monitored by the Big Bend Intake Specialists. All Intake Specialists and Accounting staff will be trained accordingly. Additionally, an in-service training on Master Trust will be provided to each case manager and supervisor.

**Finding 2: Client Trust Fund Records Lacked Required Documentation**

Big Bend recognizes the inherent struggle in allowing consumer choice while ensuring timely collection of original receipts. Our financial department is consistent and works diligently to collect proper documentation. In each case, the master trust files contained numerous communications in an effort to collect receipts from consumers and their caregivers. We will continue to exercise due diligence to achieve 100% compliance. Also, Big Bend will implement the Department's recommendation to authorize purchases prior to reimbursement.

Big Bend respectfully requests the Department to examine the outdated standards for original documentation of purchases. Because original receipts are heat sensitive and can fade after a period of time, Big Bend archives receipts electronically and places copies in the master trust file. We are hopeful that the Department's internal rules can be modified to allow for the changing technology of merchants and the challenge that presents to our record keepers.

## ATTACHMENT II



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Secretary

February 2, 2010

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### INSPECTOR GENERAL COMMENTS

The auditors based the report on more than a review of 13 BBCBC's client trust fund files. Our review examined approximately 17 percent of the client trust fund accounts that BBCBC managed for 76 clients, as of June '09. As mentioned in our report's Methodology section, "In addition to the 13 client trust files that the auditors reviewed for expenditure documentation, the report is also based on the auditors' review of BBCBC's Detailed Transaction Reports, cancelled checks and other bank documentation, general ledgers, ICWSIS payment history reports, and interviews with BBCBC, DCF, and SSA staff." Also, please note that in the last paragraph of the report's Background section, we mentioned the total client trust fund balances maintained by DCF and CBCs, collectively, and the total client count and BBCBC's portion of those totals as of June '09.

In the report (second finding, third paragraph) we state that "...a number of the payments appeared to have been returned to SSA because the clients' account balance exceeded \$2,000. BBCBC accounting staff determined these return payments at about \$20,227." From our selected sample of checks written to SSA, BBCBC staff identified six different categories for which client trust funds were returned to SSA. One category pertained to "child left CBC care" and two categories pertained to the balance "over limit." This \$20,227 figure was associated with over limit status and calculated by BBCBC staff.

We applaud Big Bend's efforts to compensate for receipt deterioration. However, we must point out that during our fieldwork electronic archival of receipts was not brought to our attention.

We have referred this report to Administrative Services staff so that they can take any actions deemed necessary regarding the revision of procedures related to purchase documentation standards.